ANNUAL REPORT **2009–2010**

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EMPOWERING CONSUMERS

PROMOTING COMPLIANCE

Canada

WELCOME TO OUR ANNUAL REPORT 2009–2010

OUR VISION

To **EMPOWER** Canadian financial consumers and **PROMOTE** consumer-centred compliance among federally regulated financial institutions

ABOUT THIS REPORT

This annual report covers initiatives and results of the Financial Consumer Agency of Canada (FCAC) during the past fiscal year (April 1, 2009, to March 31, 2010). All references to 2009–10 in this report mean our fiscal year.

All references to "financial institutions" mean federally regulated financial institutions, which fall under FCAC's regulatory jurisdiction. These include federally regulated banks, trust and loan companies, insurance companies, and retail associations.

All references to "consumer provisions" mean the various consumer-related laws and regulations that apply to federally regulated financial institutions.

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MESSAGE FROM THE COMMISSIONER

Ursula Menke, Commissioner
Financial Consumer Agency of Canada

What are the hallmarks of a strong, healthy financial marketplace? At the top of my list would be education and compliance.

On the one hand, we need informed and confident consumers who have a solid understanding of how to manage their own personal finances as well as financial institutions' obligations toward them, so that they can make smart decisions for the future. Hence the value of education. On the other hand, we need well-run financial institutions adhering to their legal obligations with regard to consumers, delivering good products and useful information, while respecting their customers' rights and interests. Hence the importance of compliance and a strong regulatory system.

At the Financial Consumer Agency of Canada, promoting education and compliance are our two core mandates. We work to empower Canadian financial consumers through education, and promote consumer-centred compliance on the part of federally regulated financial institutions. I am proud of our role and pleased to highlight some of the Agency's more significant achievements from the past year.

Empowering consumers: Bringing financial literacy to life

We are working on multiple fronts to achieve a more financially literate Canada.

Financial acumen has never been more vital, yet too many consumers lack it. Last year, this was demonstrated once again as economic turmoil persisted and many Canadians experienced financial anxieties. They came to us in a time of need, seeking assistance in understanding financial products and services. FCAC has never had such a receptive audience. We responded by providing learning resources to improve their financial knowledge, especially on topical issues such as mortgages and credit cards. Consumers' use of our resources jumped significantly.

In 2009–10, we saw still greater success for *The City*, FCAC's flagship program on financial literacy. The number of teachers and students across Canada actively using the program grew significantly. *The City* was launched in 2008, with an initial focus on students. Last year we built on this foundation to target other audiences, including young people who have dropped out of school.

Partnerships for education

I believe it is vital for regulators such as FCAC to cooperate with business and community groups on initiatives that help Canadians make sense of the financial world. Collaboration with partners and stakeholders has led us to develop and promote innovative programs that reach as many Canadians as possible. Here are a few examples from the past year:

- Together with Ontario's Investor Education Fund, George Brown College in Toronto and financial author Ellen Roseman, FCAC designed and piloted *Financial Basics* — a series of workshops for young adults. The feedback was highly positive and the workshops are being made available to colleges across the country.
- In New Brunswick, we teamed up with community organization Partners For Youth to launch a peer-based train-the-trainer program for young people about financial matters.
- Teacher "champions" in every province and territory helped promote FCAC's *The City* resource and the importance of financial literacy. I applaud their efforts and hope their good example will spur even more teachers to get on board.

FCAC ACHIEVED SOLID SUCCESSES IN 2009–10:

- A record number of Canadians made use of our educational resources to improve their financial acumen.
- We demonstrated an enhanced capacity to assess and enforce industry compliance.
- We grew our network of partners under our financial literacy campaign.
- We expanded FCAC's portfolio of learning programs, tools and resources.

Promoting strong compliance

On the compliance front, we remained vigilant in monitoring financial institutions and working with them to rectify issues. A few matters necessitated enforcement action; however, on the whole I am satisfied with the financial industry's efforts to meet its consumer-related obligations.

New disclosure requirements for credit cards and other financial products were announced in 2009–10, which furthered our ability to promote strong compliance on the part of federally regulated financial institutions. We quickly updated our internal processes and materials to reflect the new requirements. In addition, we developed our *Clear Language and Presentation Principles and Guidelines* to help the financial sector comply.

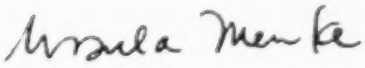
Looking ahead

What's expected for 2010–11? We will continue working to ensure an increasing number of Canadians are aware that they can turn to us for the information they need to make sound financial decisions. Our financial literacy campaign will reach more schools and individuals. Our long-term goal is to introduce financial education into school systems throughout Canada. With many years in the financial industry behind me, I firmly believe that learning the financial basics is as crucial as learning to read, write or do arithmetic. With respect to compliance work, FCAC's mandate is expanding since the federal government has increased our responsibility for overseeing Canada's financial marketplace.

A winning team

I am pleased with our results for 2009–10, and am especially grateful to FCAC's engaged and dedicated staff. The Agency's success is the result of a team of employees who espouse high standards and values. They enable the Agency to think innovatively, adapt to shifting priorities and find practical solutions on a daily basis.

We take pride in contributing to the well-being of Canadians and the financial marketplace. I invite you to learn more about our programs and how FCAC is working to empower financial consumers and promote consumer-centred compliance on the part of federally regulated financial institutions.



Ursula Menke
Commissioner

2009–2010 HIGHLIGHTS

Financial literacy initiatives prove popular

FCAC resources *The City* and *The Money Belt* were used increasingly by young Canadians and teachers.

New tools for consumers

During a period of economic uncertainty, FCAC responded to Canadians' information needs with a new credit card tool and resources on mortgages.

Clear language principles

FCAC created its *Clear Language and Presentation Principles and Guidelines* to improve how the Agency and the financial industry communicate with Canadians.

34% growth in use of FCAC's online tools

FCAC exceeded its target of a 5% increase in the use of the Agency's online tools.

Stronger compliance model developed

FCAC met its schedule to develop a new risk-based model that allows for better assessment of financial institutions' compliance risks.

Financial institutions responsive to FCAC compliance actions

Financial institutions corrected 100% of compliance issues identified by FCAC.

WHO WE ARE

Our role and mandate

More than ever before, it is crucial for Canadians to be empowered and engaged in managing their money, navigating the financial marketplace and dealing with financial institutions. Responding to this vital need is the role and mandate of the Financial Consumer Agency of Canada.

Founded in 2001, FCAC is an independent federal government agency with a dual mandate:

- to expand consumer education and financial literacy so that consumers have the information and skills they need to make informed financial decisions and actively participate in the financial sector; and
- to consolidate and strengthen oversight of consumer protection measures in the federally regulated financial sector.

Through its work, FCAC is committed to empowering Canadian financial consumers. For us, that means helping people become better financial decision makers, while ensuring that the financial institutions with which they do business respect consumer rights and interests.

Fast facts about FCAC*

Employees	53
Headquarters	Ottawa
Founded	2001
Free education resources available to Canadians	50+
Institutions regulated	379

* as of March 31, 2010

Canadian financial consumers are the driving force for everything we do at the Financial Consumer Agency of Canada. Since 2001, we have been working hard to protect their rights, promote their interests and meet their information needs.

ROLE AND MANDATE

FCAC

EDUCATION

- Promote awareness among Canadians of financial institutions' obligations to consumers.
- Foster consumer understanding of financial services and related issues, as well as consumers' rights and responsibilities.

COMPLIANCE

- Supervise financial institutions to ensure that they comply with federal consumer laws, voluntary codes of conduct and public commitments to consumers.
- Promote financial institutions' adoption of consumer-centred compliance measures.

Financial Consumer Agency of Canada Act

Organizational structure

The resources from the Financial Consumer Agency of Canada were a tremendous benefit to this community, right from the tip sheets to the publications. The information is extremely easy to read. We have taken that material and we have put it into packages that we gave out to our seniors' groups and to our youth organizations.

Ken MacDonald
Crime Prevention Coordinator
New Glasgow Police Service, Nova Scotia

The ***Executive Branch*** includes the Commissioner, the Deputy Commissioner and support staff. It sets FCAC's strategies and priorities, provides leadership and direction in managing the Agency, and determines the enforcement measures to be applied in cases of non-compliance.

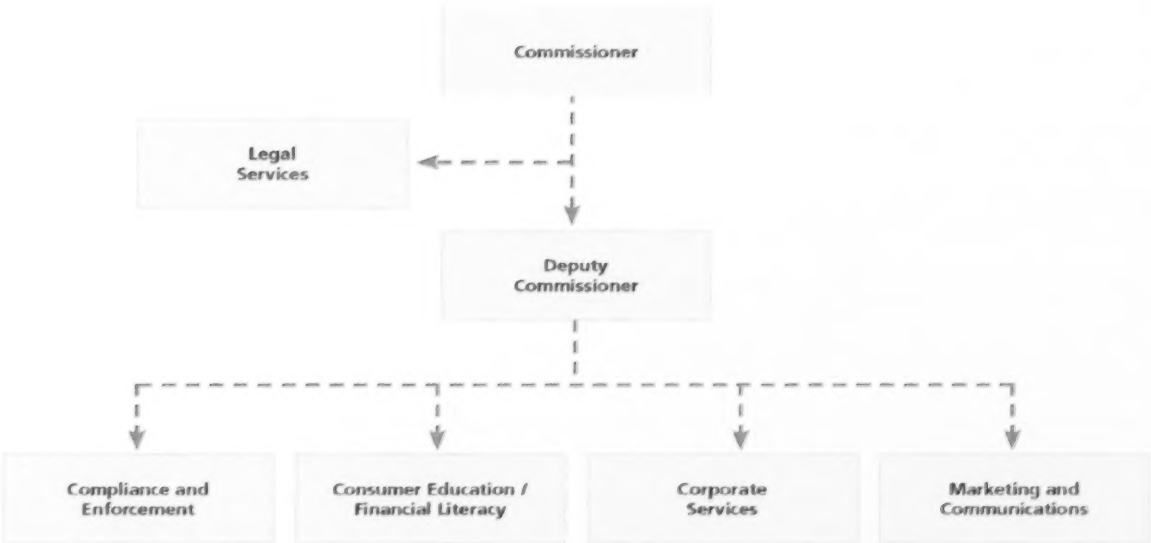
The ***Legal Services Unit*** consists of one senior counsel from the Department of Justice Canada, who provides legal research, advice and support to the Agency.

The ***Compliance and Enforcement Branch*** is responsible for the Agency's compliance activities. This includes overseeing federally regulated financial institutions' adherence to applicable laws and regulations, undertaking investigations, conducting annual and on-site examinations, performing industry reviews of specific compliance issues, and reporting on compliance matters.

The ***Consumer Education and Financial Literacy Branch*** is responsible for researching and developing educational materials and tools to help Canadians understand financial products and services, as well as financial institutions' obligations toward them.

The ***Corporate Services Branch*** supports the Agency's activities by providing services and expertise in various areas, including corporate planning, financial management, risk management, security, information technology (IT), information management and program evaluation.

The ***Marketing and Communications Branch*** manages FCAC's outreach programs, communications with the media and the public, design of FCAC publications, and the various channels through which the Agency interacts with consumers.



Human resources — Full-time equivalents (FTEs)

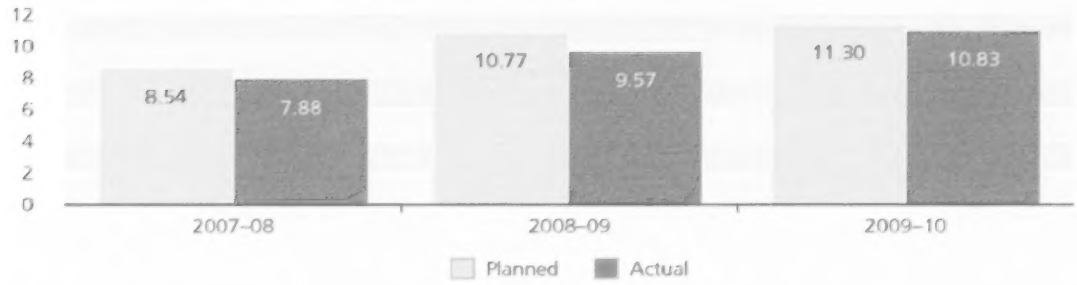
Fiscal year	Planned	Actual
2009–10	53	53
2008–09	48	49
2007–08	47	47

Financial resources

Fiscal year	Planned	Actual
2009–10	$11,300,000	$10,827,000
2008–09	$10,770,000	$9,572,000
2007–08	$8,983,000	$7,876,000

Note: The planned and actual spending for the 2009–10 fiscal year do not include the amount of $55,000 for audit services provided without charge by the Office of the Auditor General. This amount has been recorded in the Financial Statements (page 39) as an expense and government assistance revenue.

SPENDING TREND ($ millions)



This graph compares actual and planned spending over the past three fiscal years. It includes funding of $1 million from the federal government for the Financial Literacy program for 2007–08 and $2 million for this program in 2008–09. In its February 2008 budget, the Government of Canada provided for FCAC to receive ongoing funding in the amount of $2 million per fiscal year, starting in 2009–10, as continuous support for the Agency's Financial Literacy program.

Overall expenditures were higher in 2009–10 than in 2008–09, mainly because of an increase in human resources and professional costs. In 2009–10, the increase in human resources costs included new positions, the filling of vacancies, and planned growth in employee compensation and performance-related pay (available to employees at all levels within the organization). The increase in professional costs was due mainly to additional marketing and communications activities undertaken in support of the Agency's goals and to the higher cost of services provided under memorandums of understanding with other federal organizations. The professional costs include the costs of the Agency's conversion to the International Financial Reporting Standards and higher human resources costs.

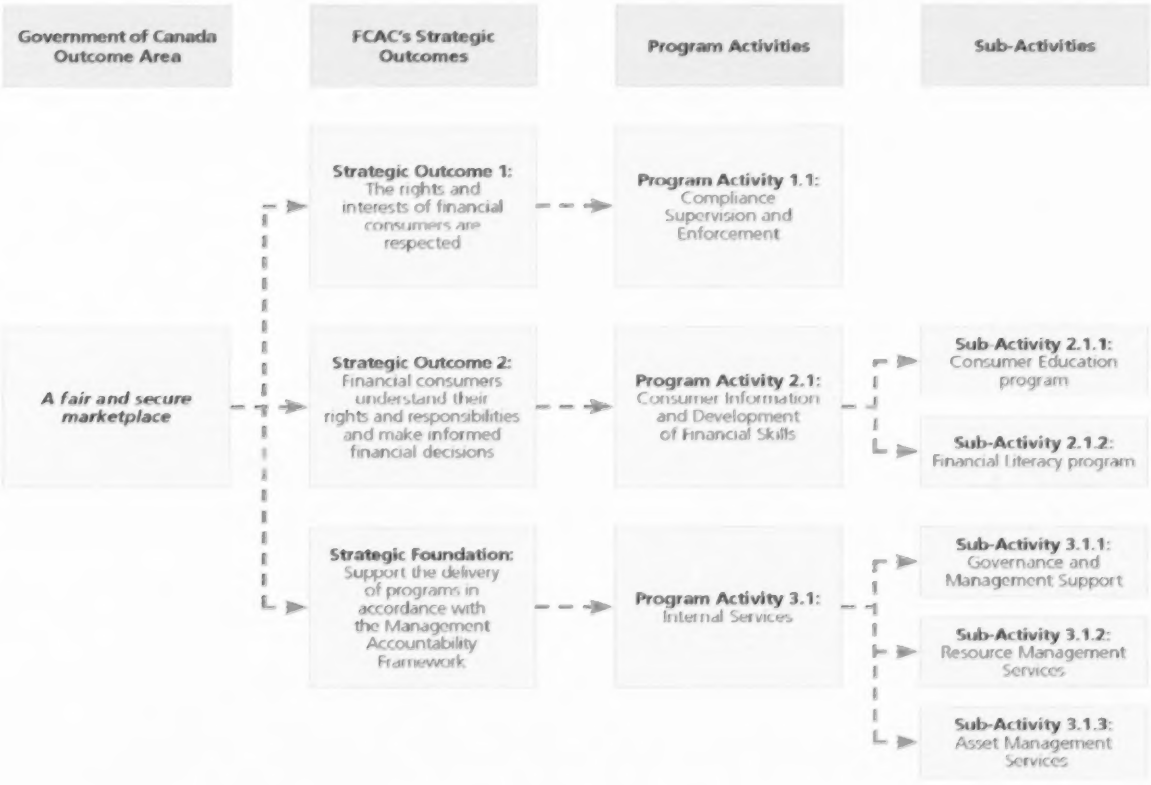
For further information on FCAC's expenditures in 2009–10, please see the Financial Statements on page 39.

Program Activity Architecture

FCAC's Program Activity Architecture provides the framework for the Agency's program activities and sub-activities. This structure allows the Agency to effectively pursue its mandate, while contributing to the Government of Canada's objective of fostering a fair and secure marketplace.

In 2009–10, the Internal Services program was broken down into three program sub-activities: Governance and Management Support, Resource Management Services; and Asset Management Services. The threefold division reflects standard practice within the Government of Canada.

Program Activity Architecture


Government of Canada Outcome Area
FCAC's Strategic Outcomes
Program Activities
Sub-Activities
A fair and secure marketplace
Strategic Outcome 1: The rights and interests of financial consumers are respected
Program Activity 1.1: Compliance Supervision and Enforcement
Strategic Outcome 2: Financial consumers understand their rights and responsibilities and make informed financial decisions
Program Activity 2.1: Consumer Information and Development of Financial Skills
Sub-Activity 2.1.1: Consumer Education program
Sub-Activity 2.1.2: Financial Literacy program
Strategic Foundation: Support the delivery of programs in accordance with the Management Accountability Framework
Program Activity 3.1: Internal Services
Sub-Activity 3.1.1: Governance and Management Support
Sub-Activity 3.1.2: Resource Management Services
Sub-Activity 3.1.3: Asset Management Services

OUR PROGRAMS

Compliance Supervision and Enforcement

Ensuring the rights and interests of financial consumers are respected

The legislation governing federal financial institutions contains a number of provisions put in place by the government to help protect consumers of financial products and services. These are called "consumer provisions." They primarily seek to ensure that financial institutions:

- provide the information that consumers need to make sound financial decisions; and
- meet a high standard in their business practices that affect their customers.

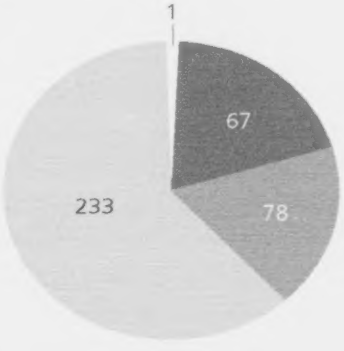
One of FCAC's key responsibilities is to monitor and enforce the consumer provisions. FCAC does this through its Compliance Supervision and Enforcement program.

Program activities include:

- monitoring and investigating compliance issues at an industry-wide level as well as within individual financial institutions;
- undertaking annual and on-site examinations;
- assisting financial institutions' efforts to correct contraventions, while encouraging them to develop appropriate policies and procedures to comply with consumer provisions that apply to them; and
- monitoring the industry's adherence to the codes of conduct and public commitments it has voluntarily put in place.

FCAC supervised 379 federally regulated institutions as of March 31, 2010.

FCAC SUPERVISES THE FOLLOWING FEDERALLY REGULATED INSTITUTIONS:



Note: Following the introduction last year of the *Prescribed Group of Consumers Regulations*, 38 reinsurers were exempted from FCAC oversight.

Performance

During 2009–10, FCAC continued to implement a risk-based approach to supervising the conduct of financial institutions. This involved engaging with the institutions to identify and resolve issues before they reached the enforcement stage. We used our full set of compliance tools to ensure that institutions respected the rights and interests of financial consumers.

FCAC undertook a number of compliance actions with financial institutions. These led to important changes in the institutions' behaviour in the Canadian marketplace and an overall improvement in their compliance with the consumer provisions. In nearly all cases, the institutions involved cooperated with FCAC and succeeded in making the changes needed for compliance. In a few cases the Agency had to take enforcement action, resulting in the issuance of Notices of Violation and the assessment of penalties totalling $450,000.

As we carry out our supervision and enforcement activities, we strive to meet service standards that we have developed. The Agency succeeded in meeting these standards in 2009–10. For details, please see the Performance summary on page 29.

Last year, the government introduced important changes to aspects of the federal regulatory framework that protects financial consumers. In particular, the government strengthened disclosure requirements for lending products offered to consumers by institutions, and it introduced new regulatory requirements to govern certain business practices used by institutions in delivering lending products to customers. We undertook all necessary steps to integrate the new requirements into our systems and processes. We also initiated a new supervisory process that will be more proactive in monitoring how financial institutions implement the requirements.

Compliance summary, 2009–10

588	Compliance cases opened
821	Cases investigated for potential compliance breaches[1]
3	Notices of Violation issued, with administrative fines imposed totalling $450,000
3	Compliance Agreements arranged with financial institutions[2]
6	Action plans arranged with financial institutions[3] (4 new, 2 carried over from previous year)
1	Industry review related to credit card fees
4	On-site examinations to review compliance concerns at financial institutions

Notes:

1 Compliance breaches are breaches of legislation, regulations, voluntary codes or public commitments.

2 A Compliance Agreement is a legislated compliance tool. It is a formal agreement between the Commissioner of the Agency and senior management of a financial institution, setting out detailed corrective measures that the institution must undertake to comply with the applicable consumer provisions within a specified time frame. A financial institution's failure to fully implement a Compliance Agreement may lead to enforcement actions.

3 FCAC's Compliance and Enforcement Branch may require a federally regulated financial institution to develop an action plan. This provides information on the cause of any non-compliance by the institution, as well as the measures that the institution plans to undertake to correct the issue and prevent its recurrence.

Compliance cases in 2009–10

Top issues	Cases opened
Disclosure of information related to mortgage repayments, rebates or charges	119
Disclosure of cost of borrowing when a credit card is issued	40
Disclosure of fees when a deposit account is opened or when increasing/adding fees	33

Major initiatives

At FCAC, we constantly strive to enhance our ability to identify and rectify compliance issues in the marketplace, while adapting our approach to market realities. We conduct systematic research, data analysis, investigations and environmental scans, and also undertake consultations with partners and stakeholders. Following are some noteworthy initiatives from 2009–10:

- **Risk Assessment Model.** As part of modernizing FCAC's compliance framework, we developed a new Risk Assessment Model. This will help us better assess financial institutions' compliance risks and better allocate our resources to areas having the greatest impact on consumers. We identified the pertinent information that we would need to collect from financial institutions or other available resources. We also developed a risk information matrix and supporting tools for FCAC compliance officers, to allow for a more coordinated approach when compliance actions are recommended. We will launch the Risk Assessment Model in 2010–11.
- **Industry review related to credit card fees.** We reviewed the disclosure documents of nine financial institutions to determine whether they communicate the amount of any non-interest charges and the date on which those charges take effect, as set out in the regulations. All of the financial institutions reviewed make reference to the existence of non interest charges within their credit agreements. However, while some disclose the date on which the charges take effect, this information is not consistently present in all documents, nor is it always presented in language that is clear and simple, and a manner that is not misleading to consumers. We expect to formally communicate the results of our review to the industry and issue appropriate industry guidance.

PROMOTING BETTER COMMUNICATIONS WITH FINANCIAL CONSUMERS IN CANADA

To ensure that financial institutions better communicate information to consumers, the federal government made several important changes to the *Cost of Borrowing Regulations* in 2009–10, including:

- The government refined the wording of the regulations to clarify that financial institutions must provide disclosure in language that is clear and simple and in a manner that is not misleading to the consumer.
- It introduced new requirements for financial institutions to include information boxes in their lending disclosure documentation, summarizing the most important information that a consumer should know when purchasing a lending product. – ►

PROMOTING BETTER COMMUNICATIONS WITH FINANCIAL CONSUMERS IN CANADA (continued)

In response to these changes, FCAC developed guidance documents to help the financial industry meet these new obligations:

- *Clear Language and Presentation Principles and Guidelines* — This document outlines how a financial institution can improve its customer communications — for example, by applying the principles of knowing the target audience, writing clearly, using visuals and testing material.
- Examples of summary information boxes — These clearly present important features such as interest rates, grace periods and fees.

We communicated the guidance to financial institutions early in their implementation processes, and they responded positively.

- **New regulatory requirements.** We undertook a major initiative with financial institutions to assess their overall compliance with several new regulatory requirements set out in the *Cost of Borrowing Regulations* and the newly introduced *Credit Business Practices Regulations*, which came into force on January 1, 2010. Our work involved developing an innovative self-assessment questionnaire, which incorporated FCAC's new risk-based approach to compliance supervision. The initiative will carry over into 2010–11. With the financial institutions concerned, FCAC will be able to more proactively address any systemic procedural and material compliance gaps identified within their organizations. This approach will help minimize the deficiencies' potential impacts on consumers.
- **Compliance reporting.** We continued to refine our compliance-related reporting to the Minister of Finance, with the aim of providing to the Minister timely, relevant information on key matters. We also worked on building stronger supervisory relationships with financial institutions; these will foster more open, two way communications and encourage the institutions to be proactive in reporting possible compliance issues to FCAC.
- **Government advisory role.** FCAC continued to provide input to the federal government through its participation in various federal regulatory committees.

Benefits to Canadians

In 2009–10, FCAC's Compliance Supervision and Enforcement program produced the following benefits:

- Moving toward a risk-based approach to supervision allowed us to be increasingly responsive in dealing with compliance matters and more effective in undertaking action to rectify the issues.
- We addressed consumer complaints from a compliance perspective. We identified key systemic issues with the financial institutions concerned. In turn, the institutions modified their practices to improve their overall compliance with various consumer provisions.
- We took a proactive approach to dealing with non-compliance issues that may have existed following the industry's implementation of the new regulatory requirements. This minimized the possible negative impacts on financial consumers.
- Canada continued to have a robust and responsive regulatory framework that protects financial consumers while fostering competition in the marketplace.

Consumer Information and Development of Financial Skills

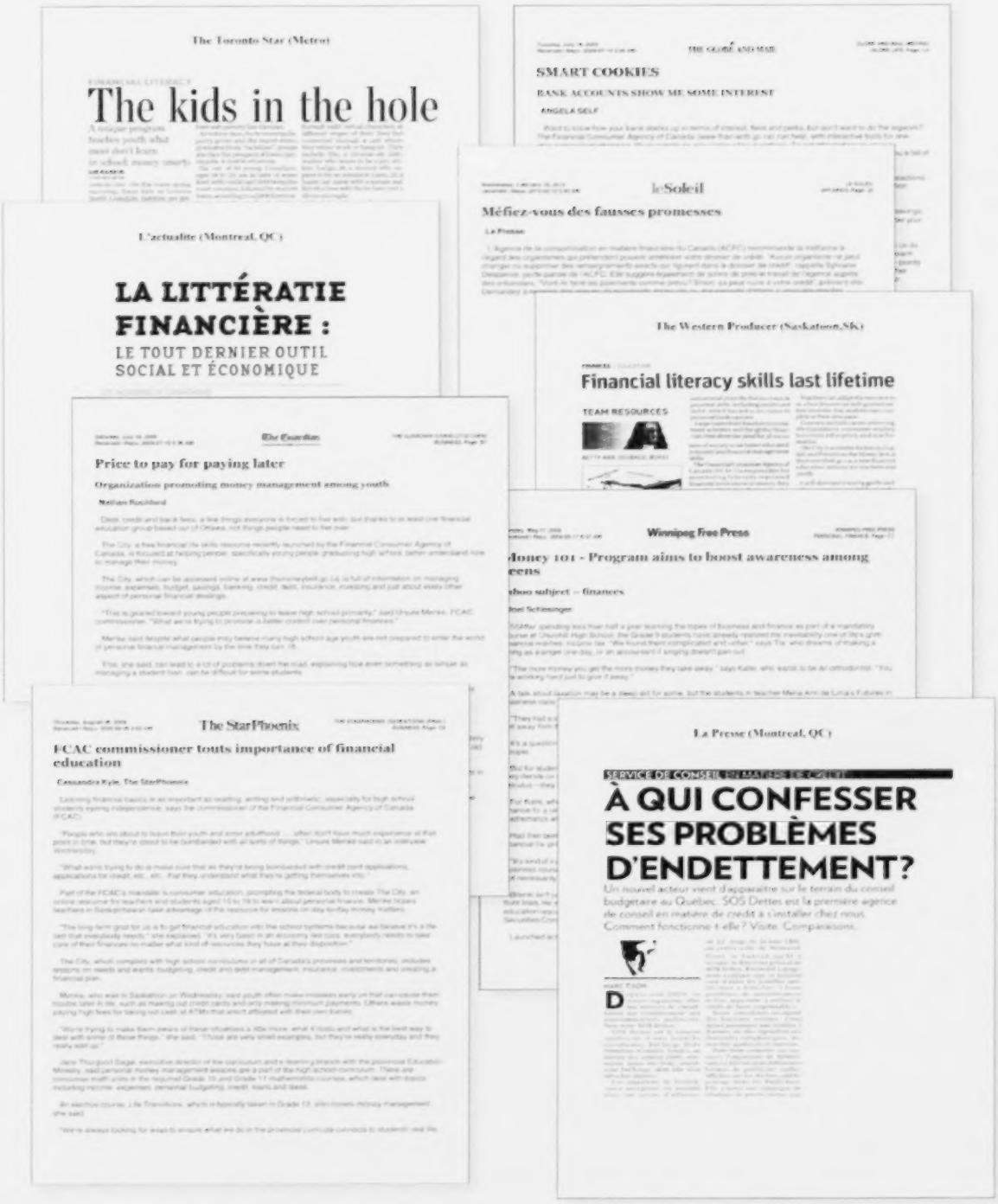
Ensuring financial consumers understand their rights and responsibilities and make informed financial decisions

FCAC's Consumer Information and Development of Financial Skills program focuses on bolstering the financial acumen of Canadians. Two sub-programs work together to meet this broad goal:

- Our **Consumer Education** program seeks to enhance consumers' knowledge of the financial products and services that affect them, as well as their understanding of financial institutions' obligations toward them under federal consumer provisions.
- Our **Financial Literacy** program aims to help Canadians build the skills and confidence they need to better manage their financial affairs, from saving to credit and debt management.

Through both programs we offer a combination of services and tools, all designed to arm consumers with information enabling them to make sound financial decisions. Informed consumers are better able to actively participate and strengthen competition in the financial marketplace. This in turn helps consumers enjoy social and economic benefits.

FCAC IN THE NEWS



The Toronto Star (Metro)

The kids in the hole

THE GLOBE AND MAIL

SMART COOKIES

BANK ACCOUNTS SHOW ME SOME INTEREST

ANGELA SELF

le Soleil

Méfiez-vous des fausses promesses

La Presse

L'actualite (Montreal, QC)

LA LITTÉRATIE FINANCIÈRE :

LE TOUT DERNIER OUTIL SOCIAL ET ÉCONOMIQUE

The Western Producer (Saskatoon,SK)

Financial literacy skills last lifetime

TEAM RESOURCES

The Guardian

Price to pay for paying later

Organization promoting money management among youth

Winnipeg Free Press

Money 101 - Program aims to boost awareness among teens

The StarPhoenix

FCAC commissioner touts importance of financial education

La Presse (Montreal, QC)

SERVICE DE CONSEIL EN MATIÈRE DE CRÉDIT

À QUI CONFESSER SES PROBLÈMES D'ENDETTEMENT?

Un nouvel acteur vient d'apparaître sur le terrain du conseil budgétaire au Québec. SOS Dettes est la première agence de conseil en matière de crédit à s'installer chez nous. Comment fonctionne-t-elle? Visite. Comparaisons.

Consumer Education

Through FCAC's Consumer Education program, we deliver objective information about commonly used financial products and services, and increase consumers' awareness of their rights and responsibilities in the financial marketplace. FCAC offers more than 50 educational resources in print and electronic format. We strive to ensure that as many Canadians as possible can access our resources. At the same time we target more vulnerable consumers, such as those with lower literacy levels and/or lower incomes.

The Agency works with organizations in the public, private and not-for-profit sectors to reach as many communities across the country as possible. In addition, we forge solid relationships with the media to help us deliver objective information to a large number of Canadians quickly and cost-effectively.

Finally, FCAC has a Consumer Contact Centre and a Correspondence Unit. These points of contact with consumers are vital in assisting the Agency to identify consumer issues and trends. This knowledge then helps guide the development of FCAC's educational materials.

I came across the Financial Consumer Agency of Canada website about two or three years into university. And the tools on how to beat debt really helped me understand interest rates and service fees, the benefits and risks of credit cards. I saw a budgeting worksheet that I have used to plan my spending habits.

Rodney Noriega, business graduate
Port Coquitlam, British Columbia

Performance

For many Canadians, the recent economic turbulence highlighted the importance of being money savvy. FCAC was there to help. We worked hard to promote and deliver objective financial information, heightening awareness of consumer rights and responsibilities. By the end of 2009–10, our efforts made a real difference:

- Use of FCAC's educational resources increased by 34 percent
- Consumer satisfaction with FCAC's publications and interactive tools remained strong, exceeding our target of 3.5 on a 5-point scale
- Correspondence with Canadians increased by 9 percent
- Visits to FCAC's websites soared by 26 percent over the previous year.

For more details, please see the Performance summary on page 30.

Major initiatives

- **Clear language principles.** FCAC is committed to communicating with Canadians effectively and efficiently. To help us with our own communications activities and to guide financial institutions, we developed the *Clear Language and Presentation Principles and Guidelines*. These are based on extensive research into clear language initiatives in Canada and internationally. We are applying the principles to make our educational tools and publications easier to use and understand. In 2009–10, we incorporated the principles into 4 publications on mortgages, 1 on deposit accounts and 19 tip sheets on various topics.

FINANCIAL CONSUMER AGENCY OF CANADA WEBSITES

FCAC corporate site

– ► fcac-acfc.gc.ca

Target audience:

- Canadians, financial institutions, media

Description:

- main FCAC site
- provides information about FCAC's role, industry obligations and the financial marketplace
- more than 50 free consumer resources, including publications, tip sheets and interactive calculators

Money Tools

– ► moneytools.ca

Target audience:

- Canadians

Description:

- consumer Web portal that provides easy access to money management tools and resources

The Money Belt

– ► themoneybelt.gc.ca

Target audience:

- students, youth, teachers

Description:

- a gateway to help young Canadians learn more about money
- features quizzes, quick tips, teacher tools and *The City* resource
- links to other financial education programs developed by FCAC partners

- **Partnership framework.** FCAC has a wide range of partners — including government departments and agencies, community-based organizations, and consumer groups — that help us provide information to Canadians. In 2009–10, an analysis of our relationships was undertaken and a more formal framework for partnerships was developed. The goal was to add structure and consistency to the development, engagement and evaluation of our partnerships, maximizing the benefits.
- **Credit card tools.** We updated our website and publications to reflect new credit card and loan regulations that require financial institutions to improve their disclosure and extend certain rights to consumers. With household debt reported to be at record levels, we devoted significant effort to helping consumers understand credit products. We developed a new interactive tool that shows how long it takes to pay off a credit card balance if the cardholder makes only the minimum monthly payment, and how increasing the monthly payments helps eliminate debt sooner.
- **Mortgage resources revamped.** In view of the housing market boom last year, we partly focused on equipping Canadians with helpful mortgage resources. To replace our core publication on mortgages, *The ABCs of Mortgages*, we have planned four new publications, each on a different aspect of home ownership. We also developed four new tip sheets on housing budgets, mortgage amortization periods, variable interest rate mortgages and real estate fraud.
- **Web renewal strategy.** We began work on re-engineering FCAC's corporate website, with the aim of improving the experience for visitors and better supporting our business needs. The project involves creating a new FCAC Web presence, along with a hosted content management system that will automate Web publishing. We will improve site navigation and enhance the main website with a new FCAC brand.
- **Multimedia.** We produced nine success stories in video format and made them available on FCAC's website and on DVD. The stories highlight experiences with personal finances and demonstrate how Canadians have benefited from FCAC publications, interactive tools and other initiatives.

FCAC's site helps me because I don't need to go looking for all sorts of information. Everything we use is on the site. It's easy for young people to navigate, plus there are games and quizzes. I find the tools really effective.

Brian Smith, Employment Counsellor
Carrefour Jeunesse-Emploi Côte-des-Neiges
Montréal, Quebec

Benefits to Canadians

In 2009–10, FCAC's Consumer Education program produced the following benefits:

- Canadians from all walks of life were able to access free information on diverse financial topics through a variety of channels.
- More Canadians learned about their rights and responsibilities, and became better equipped to make informed financial decisions.
- FCAC helped foster a more transparent, fair and secure financial services marketplace for Canadians.

INCREASING FCAC'S VISIBILITY

As a small agency, we face the challenge of visibility — making Canadians aware of who we are, what we do and how our programs can benefit them. Our numerous partners help to raise our profile in the marketplace, as do our own promotional activities. To draw attention to our role in financial education, we have a marketing and communications strategic plan focusing on media, community outreach and advertising. Here are some highlights from 2009–10:

Media. Media partners are instrumental in helping us deliver information quickly and cost-effectively to Canadians in all regions of the country. In 2009–10, FCAC produced various communications products, including press releases, letters to the editor, feature articles and byline articles. Our efforts generated 762 media mentions, an increase of 10 percent over the previous year.

Community outreach. FCAC organized and participated in numerous outreach events, where we met with Canadians one-on-one, as well as with current and potential partners. For example, we hosted a booth at the Government of Canada Pavilion, a travelling showcase featuring different federal departments and agencies. We also exhibited at several consumer and partner trade shows.

Advertising. We ran several advertising campaigns to promote responsible credit use. For example, our print ads targeted university students, while online campaigns on Google, Yahoo and Sympatico targeted financial consumers.

Financial Literacy

Financial literacy is the knowledge, skills and confidence that consumers need to make informed financial decisions. It is a crucial life skill that empowers consumers to make the best financial decisions for their own circumstances, whether they are financing a new home, saving for an education, planning for retirement or keeping their chequebook in the black.

Improving Canadians' financial literacy is a high priority for FCAC. In 2008, the Agency launched a Financial Literacy program with an initial focus on youth — a critical segment of the population because they can gain wisdom that will last them a lifetime. In its second year, the program was expanded to target young adults as well. The plan is eventually to reach all Canadians.

The program has two cornerstones. The first is a pioneering curriculum called *The City: A Financial Life Skills Resource*. *The City* was developed in partnership with the British Columbia Securities Commission as an educational resource for teachers and students. The second is a Web portal called *The Money Belt*, through which young people can access a wide range of online resources.

Since launching *The City* and *The Money Belt*, FCAC has:

- developed initiatives to build capacity with educators throughout Canada
- continued enhancing *The City*, as well as promoting and disseminating the resource to youth and educators nationwide
- expanded the target audience for *The City* to include other youth segments, such as youth at risk and Aboriginal youth, as well as young adults
- built a network of partners to help deliver and promote *The City* and our other financial literacy initiatives.

Performance

In 2009–10, we continued to build on our initial success. Through new partnerships, innovative distribution channels, teacher training programs and awareness campaigns, we were able to accelerate uptake of *The City* resource as well as our other financial literacy initiatives.

As at March 31, 2010:

- our advocacy efforts have made *The City* an approved resource in 8 of 13 provinces and territories
- the number of students registered to use *The City* was 17,988 — a dramatic increase from 5,974 a year previously
- the number of teachers registered to use *The City* was 4,096 — up significantly from 1,426 a year earlier
- we counted over 425,000 visits to our Web portal *The Money Belt* — an increase of 238 percent over the previous year.

TEACHERS REGISTERED TO USE *THE CITY: A FINANCIAL LIFE SKILLS RESOURCE*

4,096

There are a lot of resources out there to go and find information on financial literacy. There is the Financial Consumer Agency of Canada. You can access tons of resources on managing your personal finances. Some of the tools from the FCAC that I recommend include the Credit Card Calculator as well as the Mortgage Calculator.

Ashley Reid, accountant
Canmore, Alberta

Basic financial literacy is important because people need to have decent credit before they try and get a mortgage, before they try and get a loan, anything like that. Being able to point people to tools such as the FCAC website, it allows me to offer a level of service that is a little bit more and it shows people you care. The ABCs of Mortgages, Shopping Around for a Mortgage, the Mortgage Qualifier Tool, the Mortgage Calculator Tool, and Shopping Around for a Reverse Mortgage — these are all great tools.

Laurin Jeffrey, real estate agent
Century 21 Regal Realty
Toronto, Ontario

In addition, we know that there are many students using the paper-based version of *The City*. We distributed over 1,700 teacher manuals for this resource since its launch in September 2008. Many teachers without access to computer labs rely solely on the paper based version.

For more details, please see the Performance summary on page 32.

LEARNING COMES ALIVE IN *THE CITY*

- Free learning resource that teaches financial concepts through everyday scenarios
- Web- and paper-based resource
- Students learn from the experiences of eight fictional, reality show–type characters, each facing different financial circumstances
- Two components: a classroom resource for teachers, consisting of 11 learning modules; and 10 interactive, self-directed modules for students, youth and the general public
- Subjects include: income, expenses and budgets; credit and debt; savings and banking; and financial planning
- Curriculum achieves targeted learning outcomes related to financial literacy in courses such as career and life management, and consumer mathematics in every province and territory
- A joint initiative of FCAC and the British Columbia Securities Commission modelled on a successful, award winning resource developed by the Commission and widely used in that province since 2004
- Available in English and French

Major initiatives

- ***The City.*** Based on feedback from educators, we enhanced *The City* with new tools to assist teachers, redesigned the teacher home page and updated the learning outcomes. We also launched two new online modules on insurance and investing.

  In addition to students, FCAC sought to target dropouts, including youth at risk of conflict with the law. In 2009–10, the Agency partnered with Social and Enterprise Development Innovations, a not-for-profit community organization, to build an outreach plan and to develop and deliver a train-the-trainer program for educators within community-based organizations throughout Canada.

  FCAC also joined forces with Partners For Youth, a not-for-profit community organization, for a three-year, peer-to-peer pilot project that will train students in New Brunswick schools to use *The City*. The students will train other students with the assistance of professional staff. FCAC expects that direct involvement of young people in the teaching process will make the program more sustainable and meaningful for participants.

- ***Financial Basics* course.** In partnership with the Investor Education Fund, George Brown College in Toronto and financial author Ellen Roseman, FCAC has developed *Financial Basics* — an education resource for postsecondary students, many of whom have no financial training. Topics include budgeting, saving, credit and debt, financial planning, investments, and fraud. Two pilot sessions were held at the college last year, with a total of 174 participants. Feedback on the sessions was highly positive. As a result, we are pursuing partnerships with other colleges and universities to make the workshops available across Canada.

- ***Adult Financial Education Resource.*** In collaboration with Quebec's Autorité des marchés financiers and the Investor Education Fund, FCAC began working on a comprehensive financial education resource aimed at increasing the financial life skills of Canadians. The resource will provide information on topics such as budgets, credit and debt management, mortgages, retirement planning, and more.

- **Other initiatives.** FCAC continued to strengthen and expand relationships with a broad range of partners in the public, private and not for profit sectors. For example, FCAC has partnered with the Canadian Bankers Association to create *YourMoney*, a free, in-class seminar program for high school students, delivered by volunteers. In 2009–10, a total of 9,225 students attended 303 seminars.

The British Columbia Securities Commission believes it is very important for young people to learn about investing as part of their overall financial life skills training. With the addition of the two new online modules, The City is now a very comprehensive program for young adults, and for all Canadians, to learn about managing and investing their money.

Brenda Leong, Chair
British Columbia Securities Commission

Benefits to Canadians

In 2009–2010, FCAC's Financial Literacy program produced the following benefits:

- Educators across Canada were able to access free, easy to use resources that they could incorporate into their curricula and use with their students.
- Students and young people throughout the country were able to access free, easy-to-understand learning resources on money management and financial issues.
- More Canadians upgraded their financial skills and increased their knowledge, thereby improving their ability to make informed financial decisions.
- FCAC helped foster a more transparent, fair and secure financial services marketplace for the next generation of Canadians.

FCAC produced a newsletter on financial literacy to showcase the initiatives of the public, private and not-for-profit sectors in Canada and internationally. Published twice in 2009–10, the newsletter was disseminated to more than 1,200 organizations.

Internal Services

Ensuring the Agency and its programs operate effectively and efficiently

FCAC's Corporate Services Branch is responsible for the Internal Services program, which allows for the effective and efficient administration and delivery of the Agency's programs. Internal Services also ensures that FCAC adopts and applies best practices to manage its programs and human resources, and implements the appropriate policies, procedures and reporting structure.

Performance

During 2009–10, FCAC continued to review, update, develop and implement policies, procedures and processes in support of its goals.

In the preceding fiscal year, we had conducted a Management Accountability Framework (MAF) self-assessment to identify opportunities for strengthening our management and administration. FCAC scored "strong" or "acceptable" ratings on 18 of the 21 MAF elements. However, the self-assessment identified opportunities for improvement in three areas:

- corporate performance framework — needs streamlining
- program evaluation plan — needs to be defined
- IT governance structure — needs to be documented.

In response, FCAC developed a comprehensive action plan during 2009–10 and completed several key activities. These included documenting a preliminary IT governance structure, and approving a performance measurement framework for FCAC's Compliance Supervision and Enforcement program and for the Consumer Education and Financial Literacy sub-programs. We will implement the remaining deliverables of the action plan in 2010–11.

Major initiatives

Several initiatives were undertaken during 2009–10 to ensure the implementation of best practices in delivering our strategic outcomes, priorities and activities.

- **Managing risk.** Through our Enterprise Risk Management system, we continued to assess and document FCAC's key risks, while integrating risk-mitigating activities into our daily processes.
- **Business resumption planning.** We monitored and tested FCAC's business resumption plan to ensure that it functions properly in the event of an unexpected interruption to our operations. We updated the plan to reflect current organizational changes, and we successfully tested remote access applications and recovery systems.
- **Records, Documents and Information Management System (RDIMS).** FCAC sought to enhance RDIMS, the information management tool implemented by the Agency in the preceding fiscal year. The goal was to ensure that RDIMS is structured in the most user friendly way to meet employee needs. In 2009–10, we also provided training to employees to help them better understand the system and how they can make use of it.
- **Human resources management.** In 2009–10, we implemented almost all elements of the management action plan developed by FCAC following its participation in the 2008 Public Service Employee Survey. In accordance with the action plan, we revamped, updated or developed several human resources policies and procedures.
- **Corporate planning guide.** We produced a new corporate planning guide that documents roles and responsibilities, processes, timelines and activities of FCAC's strategic and business planning exercises.

Benefits to Canadians

In 2009–10, Internal Services contributed to FCAC's progress toward all of its strategic outcomes, priorities and activities by enabling the Agency's programs to operate more effectively and efficiently.

THE NUMBERS

Nature and number of complaints on matters not related to compliance

(excludes inquiries)

Consumer complaints not related to compliance

Nature of complaints	Number of complaints
Credit	344
Credit cards	765
Deposit accounts	724
FCAC	12
Financial institutions or other companies	340
Financial literacy	24
Insurance	248
Investments	252
Lines of credit	197
Loans	187
Miscellaneous	40
Mortgages	425
Payday loans	29
Publications	2
Referrals to other departments or organizations	510
Total	**4,099**

Nature and number of complaints on compliance-related matters

(includes only complaints received from consumers)

Compliance-related consumer complaints

Nature of complaints	Number of complaints
Consumer provisions	
Branch closures	8
Cheques	4
Coercive tied selling	5
Complaint-handling procedures	1
Compliance of affiliate	0
Cost of borrowing — Credit cards	28
Cost of borrowing — General	2
Cost of borrowing — Lines of credit	3
Cost of borrowing — Loans	0
Cost of borrowing — Mortgages	38
Deposit accounts	11
Disclosure of charges for services	0
Disclosure of interest rates	2
Failure to inform how to reach FCAC	0
Index-linked deposit accounts	1
Public Accountability Statements	3
Codes of conduct	
Authorized insurance activities	4
Debit card code	10
Small Business Banking Code	3
Public commitments	
Accessibility of complaint-handling process	1
Agreement to offer low-cost accounts	0
Credit cards — General	0
General	0
Guidelines for the Transfer of Registered Plans	2
Hold period on cheques	0
Interac	0
Mortgage plain language	0
Undertaking on unsolicited services	1
Visa E-promise	3
Zero-liability credit cards	9
Zero-liability prepaid cards	0
Total	**139**

Internal audit activities

Name	Type	Status	Actual completion date
Compliance Case Process review — Follow-up on management action plan	Program activity	Completed	October 2009
Consumer Contact Centre review — Follow-up on management action plan	Program activity	Completed	March 2010

A review of the Consumer Education Framework was originally planned for 2009–10. However, after reviewing and updating the Corporate Risk Profile, the Agency decided that there was no immediate need to assess the appropriateness of the Consumer Education Framework and its related components. Priority was instead given to follow-ups on the management action plans for the Compliance Case Process review and the Consumer Contact Centre review.

Performance summary

This section measures FCAC's performance against the expected results and targets we established in our *2009–11 Business Plan*, which is posted on our website. The following "performance scorecards" summarize our results last year. They give a clear, concise picture of how we did.

Compliance Supervision and Enforcement

Fiscal year	Financial resources ($ millions)		Human resources – full-time equivalents	
	Planned spending	Actual spending	Planned	Actual
2009–10	2.86	2.86	18.3	18.3

Expected results	Performance indicators	Targets	Performance status	Performance summary
FCAC has an appropriate risk-based compliance model in place that allows it to identify compliance risk levels among federally regulated financial institutions.	Capacity to report more integrated findings/conclusions about federally regulated financial institutions' levels of compliance with the federal consumer provisions	By March 31, 2010, FCAC will look to use its current systems, software and capacities, combined with the enhanced compliance information gathered by the Agency, for the purpose of implementing the various aspects of the modernized compliance framework where possible. The five components of the modernized compliance framework are: • expanded information gathering • a risk assessment model • a research and investigation protocol • ladders of compliance • enhanced compliance reporting.	Met all	We completed a pilot project on a new, streamlined approach to the self-reporting of cases by federally regulated financial institutions. We developed a design for the risk assessment model as well as an information matrix to gather core data for the model. We created a new approach for more proactive compliance oversight (e.g. a compliance self-assessment process when new regulations are introduced). We changed how cases are investigated by adopting a broader issues-based approach. We reviewed the ladders of compliance and implemented a process to define standards, scales and triggers for the various compliance tools.
FCAC implements appropriate compliance measures with federally regulated financial institutions to rectify compliance issues.	Percentage of compliance issues corrected	Compliance and enforcement actions lead to 100% correction of compliance issues identified in cases related to consumer provisions.	Met all	100% of the compliance issues enforced through Notices of Violations were corrected. 100% of the Compliance Agreements and action plans maturing in 2009–10 were completed.
	FCAC develops and distributes its clear language guidelines to federally regulated financial institutions.	Clear language guidelines are developed and distributed to federally regulated financial institutions by March 31, 2010.	Exceeded	Clear language guidelines were developed and distributed to federally regulated financial institutions in October 2009. The guidelines included a sample for the summary information box that federally regulated financial institutions have to include with their credit disclosure documents.

Consumer Education

Fiscal year	Financial resources ($ millions)		Human resources – full-time equivalents	
	Planned Spending	Actual Spending	Planned	Actual
2009–10	3.75	3.72	19.5	19.5

Expected results	Performance indicators	Targets	Performance status	Performance summary
Canadians have access to impartial information on financial products and services.	Increase in the use of FCAC's materials and tools	By March 31, 2011, FCAC will complete implementation of its Web strategy, including enhancements to its website.	Somewhat met	The Web renewal strategy was developed with a three-year approach instead of a one-year approach. The scope now includes optimization of the Agency's Web content processes and workflows through a content management system. New visual identifiers were added to the FCAC website to enhance the look and feel.
		By March 31, 2011, there will be an increase of at least 10% from March 31, 2009, in • the number of visits to FCAC's websites • the number of FCAC publications printed and downloaded • the use of FCAC's Web-based interactive tools.	Mostly met	At mid-point toward its target date, FCAC has achieved increases of: • 26% in the number of visits to its websites • 16% in the number of print publications distributed • 34% in the number of times its interactive tools are used. FCAC has seen a decrease of 73% in the number of downloads of electronic publications from its websites. This result is based on the number of downloads of publications in PDF format only. Because of software limitations, the figures do not take into account the number of visits to the Agency's publications in HTML format. FCAC has recently implemented new Web metrics software that provides enhanced reporting capabilities.

Consumer Education (continued)

Expected results	Performance indicators	Targets	Performance status	Performance summary
Canadians have access to impartial information on financial products and services.	FCAC has an enhanced capacity to develop, maintain and manage partnerships.	By March 31, 2010, the Agency will develop and implement a partnership framework.	Somewhat met	We developed a partnership framework in 2009–10 and will begin implementing it in the first quarter of 2010–11.
	The use of clear language makes FCAC's materials and tools easy to understand.	By March 31, 2010, the Agency will develop clear language principles for educational materials and tools, and will apply them to some of FCAC's most popular materials and tools (*Credit Cards and You, Cost of Banking Guide, The ABCs of Mortgages* and tip sheets).	Mostly met	We implemented clear language principles in the first part of 2009–10. They were applied to the *Cost of Banking Guide, The ABCs of Mortgages* and 19 tip sheets. For *Credit Cards and You*, we postponed application of the clear language principles until 2010–11, when the guide will be republished to include information about new and upcoming credit card regulations.
Financial consumers find FCAC's materials and tools useful and relevant to their needs.	The Agency maintains or increases its positive feedback from consumers.	Average satisfaction rating in relation to usefulness is at least 3.5 on a scale of 5 for FCAC's print and Web publications and interactive tools.	Exceeded	Score of 3.53 for Web publications Score of 4.03 for interactive tools Note: For security reasons, FCAC had to remove and replace the software used to collect consumer feedback on its Web publications and interactive tools. The scores given here are based on data collected over a period of 7 months in 2009–10. Evaluation of satisfaction with print publications is on hold until we complete the review of the form distribution process.

Financial Literacy

Fiscal year	Financial resources ($ millions)		Human resources – full-time equivalents	
	Planned spending	Actual spending	Planned	Actual
2009–10	2.00	1.81	4.00	4.00

Expected results	Performance indicators	Targets	Performance status	Performance summary
Financial literacy materials and tools are being accessed by the selected target audiences and the financial education providers that work with them.	Increase in the usage of FCAC's financial literacy education materials and tools: • *The City: A Financial Life Skills Resource* • Financial education providers training modules and workshops • *The Money Belt* (Web portal).	Usage baselines will be established by March 31, 2010, to be followed by target setting. *The Money Belt* (Web portal) was launched on July 31, 2008. *The City: A Financial Life Skills Resource* was launched on September 4, 2008. The related teacher training modules and workshops were launched on September 10, 2008.	Exceeded	179% increase in the number of active students registered for *The City* 129% increase in the number of active teachers registered for *The City* 238% increase in the number of visits to *The Money Belt* FCAC set usage targets for *The City* and *The Money Belt*, and included them in its *2009–11 Business Plan*, for the 2010–11 fiscal year. To form a baseline, we have collected data about the number of teachers who used the training modules and workshops. FCAC will consolidate the data in 2010–11 to streamline the analysis and reporting processes and establish proper targets.
	FCAC has an enhanced capacity to develop, maintain and manage partnerships specifically for distribution and dissemination of the financial literacy materials and tools.	By March 31, 2010, the Agency will develop and implement a partnership framework related to financial literacy.	Somewhat met	We developed a partnership framework in 2009–10 and will begin implementing it in the first quarter of 2010–11.
Individuals from the selected target audiences and the financial education providers that work with them find FCAC's financial literacy materials and tools useful and relevant to their learning needs.	Maintain or increase positive feedback from selected target audiences and financial education providers using FCAC's financial literacy education materials and tools: • *The City: A Financial Life Skills Resource* • Financial education providers training modules and workshops • *The Money Belt* (Web portal).	Qualitative baselines will be established by March 31, 2010, to be followed by target setting. *The Money Belt* (Web portal) was launched on July 31, 2008. *The City: A Financial Life Skills Resource* was launched on September 4, 2008. The related teacher training modules and workshops were launched on September 10, 2008.	Somewhat met	We developed evaluation forms for *The City* in 2009–10 and will implement them electronically in 2010–11. Evaluation forms for the interactive tools available on *The Money Belt* will be developed and implemented in the first part of 2010–11. We collected feedback data on the teachers training via Web conference throughout 2009–10. FCAC plans to introduce evaluation forms for the workshops and online self-directed training in 2010–11.

Internal Services

Fiscal year	Financial resources ($ millions)		Human resources – full-time equivalents	
	Planned spending	Actual spending	Planned	Actual
2009–10	2.51	2.44	10.2	10.2

Expected results	Performance indicators	Targets	Performance status	Performance summary
FCAC has in place good practices to manage and deliver its programs effectively and efficiently.	Independent assessment of the Management Accountability Framework elements related to FCAC	For relevant items related to the Treasury Board's independent assessment of the Management Accountability Framework, FCAC is rated acceptable, at a minimum.	Not applicable	Since it is a micro-agency, FCAC was not part of Treasury Board's Management Accountability Framework assessment in 2009–10. Micro-agencies are only assessed over a three-year cycle.

Note: The planned and actual spending for the 2009–10 fiscal year do not include the amount of $55,000 for audit services provided without charge by the Office of the Auditor General. This amount has been recorded in the Financial Statements (page 39) as an expense and government assistance revenue.

Financial Highlights

The Financial Consumer Agency of Canada is a federal government agency that is funded mostly through industry assessments paid by federally regulated financial institutions.

In its budget of February 26, 2008, the Government of Canada announced funding for the Agency in the amount of $2 million per fiscal year, starting in 2009–10, in order for the Agency to develop information and instructional materials for financial literacy education, especially for young people, and to share and facilitate dissemination of the materials among financial education providers and other interested parties.

Human resources costs were $500,000 higher in 2009–10 than in the previous fiscal year. This increase was the result of the hiring of additional staff to fill new positions in the Marketing and Communications Branch; the filling of vacancies; and planned growth in employee compensation and performance related pay, which is available to employees at all levels within the organization.

Professional costs increased by $852,000, for two main reasons:

- A larger number of marketing and communications activities and campaigns were undertaken in 2009–10 to meet the goals and objectives of FCAC's Business Plan.
- There were rises in the cost of services provided to the Agency under memorandums of understanding with other federal organizations, particularly connected with adoption of the International Financial Reporting Standards and increased staffing actions.

Facilities costs decreased by $141,000, largely because of changes in amortization-related expenses; 2008–09 had been the final year of amortization for leasehold improvements made in the preceding five years, coinciding with the end of the Agency's lease. In addition, there was a $47,000 reduction in meeting room rentals because the previous year had included a non recurring expense for a conference on financial literacy, co hosted by FCAC.

Administrative costs were $130,000 higher, primarily because of increased printing and courier costs.

Costs related to information management and technology rose by $19,000; increases in consulting and amortization costs were partly offset by reduced maintenance costs. In 2009–10, we undertook a threat and risk assessment of our network, as well as a vulnerability assessment of our websites.

Travel costs dropped by $4,000. A $31,000 decrease in domestic travel costs was offset by a $27,000 increase in foreign travel costs.

Interest charges decreased by approximately $46,600 from 2008–09 because the lending rate in 2009–10 was approximately 2 percent lower.

From its inception, the Agency has been guided by the management principle that it should concentrate on delivering the programs called for in its legislation. We have therefore opted to use common and/or shared services to provide generic corporate services when it is cost-effective to do so. As a result, FCAC's cost structure may vary from that of other federal organizations. The expenses related to the common and/or shared services are listed under Professional Services instead of Human Resources costs if the services were provided by internal staff.

FCAC continues to be committed to the concept of common services agreements and has in place arrangements with the following organizations:

- the Office of the Superintendent of Financial Institutions for human resources, accounting and administration, internal audit, and research services; and
- the Canada Deposit Insurance Corporation for a joint call centre.

These strategic partnerships continue to give the Agency the flexibility needed to manage evolving programs as cost-effectively and efficiently as possible.

Future Accounting Changes

Transition to International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Institute of Chartered Accountants' (CICA) Canadian Accounting Standards Board confirmed that publicly accountable entities will be required to adopt International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board in place of Canadian Generally Accepted Accounting Principles (GAAP) for fiscal years beginning on or after January 1, 2011. The Public Sector Accounting Board continues to allow other government organizations, such as FCAC, to determine their most appropriate basis of accounting (either IFRS or the *Public Sector Accounting Handbook*). Other government organizations that determine IFRS to be the most appropriate basis of accounting for their organization would follow the same transitional time frame as publicly accountable entities.

Some of the primary users of FCAC's annual report and the general purpose financial statements contained therein are regulated financial institutions — that is, the paying stakeholders — and their respective industry associations, on the whole, they operate financially based on Canadian GAAP. These institutions will adopt IFRS effective 2011. FCAC has therefore decided to adopt IFRS so that it may continue to provide relevant, reliable, comparable and understandable financial information to its paying stakeholders.

As part of its transition to IFRS, FCAC has established a formal project governance structure with oversight by a steering committee, consisting of management from the areas of accounting and finance, information technology, and business operations. Regular updates on the status and progress of the IFRS conversion plan are also presented to FCAC's Executive Committee and its Audit Committee.

FCAC has chosen to approach the conversion in five phases: (1) diagnostic assessment; (2) design and planning; (3) assessment, design and development; (4) implementation; and, (5) post-implementation review. Phase 1 was completed during fiscal year 2008–09. FCAC completed phases 2 and 3 during fiscal year 2009–10.

FCAC continues to monitor the development of standards as issued by the International Accounting Standards Board and CICA's Accounting Standards Board, as well as the Public Sector Accounting Board. Such developments could affect the timing, nature or disclosure of the adoption of IFRS.

Impact of adoption of International Financial Reporting Standards

FCAC has not completed the full quantification of the impacts that the adoption of IFRS will have on its financial statements. However, the following areas have been identified for potential significant differences:

- employee benefits (including severance liability)
- capital and intangible assets
- impairment of assets
- provisions and contingent liabilities.

Employee benefits (severance liability)

Actuarial gains and losses arise as a result of changes in the value of the accrued benefit obligation and plan assets due to differences between expectations and actual experience, as well as because of changes in actuarial assumptions. International Accounting Standard 19 "Employee Benefits" (IAS 19) allows an entity to immediately recognize actuarial gains and losses in full as they arise in Income or in Other Comprehensive Income, or to recognize

them over a longer period through a systematic amortization through Income. The latter approach is consistent with FCAC's current policy. Under IFRS, FCAC expects to implement a policy recognizing actuarial gains and losses as they occur in Other Comprehensive Income. The impact of this proposed policy change is twofold:

- All unrecognized actuarial gains and losses will be recognized as a part of Opening Equity as at April 1, 2010. It is expected that this change will reduce the accrued severance liability by approximately $24,000.
- Thereafter, actuarial gains and losses will be recognized in Other Comprehensive Income as they occur.

FCAC believes that recognition of actuarial gains and losses into Other Comprehensive Income as they occur will result in greater transparency with respect to the financial position of the employee severance plan. This approach is also consistent with the proposed direction of the International Accounting Standards Board with respect to immediate recognition of actuarial gains and losses.

Capital and intangible assets

Adoption of IFRS may require FCAC to segregate its assets into various components. IFRS requires that some assets that were capitalized as one item may have to be broken down into their individual components and amortized separately if they have materially different useful lives. FCAC is currently evaluating its assets under IFRS. Based on the work done to date, FCAC does not expect significant financial impacts. Most of the changes will be procedural in nature.

Impairment of assets

Adoption of IFRS will affect the timing and nature of impairment testing. This will now be required at each reporting period even if no indications of impairment are present. It is not expected at this time that the additional testing will result in material financial adjustments.

Provisions and contingent liabilities

International Accounting Standards 37 "Provisions, Contingent Liabilities and Contingent Assets" (IAS 37) provides guidance on liability recognition for a number of non financial liabilities for which the outcome and/or related costs are subject to uncertainty. The new procedures will require some change in current policy for such matters, since the measurement and recognition criteria differ in some respects from Canadian GAAP. Specifically, IAS 37 establishes a lower recognition threshold for liabilities and requires both contractual and constructive liability recognition. The full impact of IAS 37 has not yet been determined, but based upon the analysis completed to date, FCAC does not expect to see a material adjustment. FCAC may need to modify its analysis depending on the outcome of the current International Accounting Standards Board project on IAS 37.

Future changes to IFRS

International Financial Reporting Standard 1 requires that the accounting policies used by FCAC in the opening IFRS balance sheet be based upon IFRS, effective as of March 31, 2012. FCAC monitors International Accounting Standards Board developments to ensure that the impacts of any potential or actual changes to IFRS are appropriately considered in its changeover plan.

Identification and resolution of key information technology requirements

Based on an analysis of the data system infrastructure, FCAC has concluded that transition to IFRS will not result in a material modification to any financial systems.

Internal control over financial reporting

IFRS will also have an impact on internal controls over financial reporting. Management is currently evaluating these process change requirements.

Training and communications requirements

Training seminars on relevant IFRS standards and their potential impact have been provided to management and pertinent staff. Training will continue to be offered to key FCAC personnel.

The transition to IFRS is a significant undertaking. Since the implementation phase has only recently started, FCAC is not yet able, at this time, to quantify the full impact of IFRS on its financial statements. The following table outlines the elements of FCAC's IFRS conversion plan and an assessment of progress towards achieving the plan's objectives. As the project progresses or further changes in regulation conditions occur, changes to the transition plan may be required.

FCAC IFRS Changeover Plan: Assessment as at March 31, 2010

Project Phase	Milestone	Status
1. Diagnostic Assessment		
• Identify differences in Canadian GAAP and IFRS accounting policies	Summary of the external advisor's report presented to FCAC's Executive and Audit committees	Completed
2. Design and Planning		
• Launch project, establish project governance • Develop training and communications plan	Project structures in place	Completed
3. Assessment, Design and Development		
• Identify solutions to IFRS and evaluate • Develop final solutions to IFRS	Solutions approved by FCAC's Executive and Audit committees	Completed
4. Implementation		
• Rollout IFRS solutions • Conduct testing and remediation	Financial systems and processes are able to capture and report IFRS information	In progress, completion in 2010–2011
5. Post-Implementation Review		
• Debrief management and assess implementation • Ongoing IFRS update and related changes management	Ongoing process post-implementation	To be started in 2011–2012

FINANCIAL STATEMENTS 2009–2010

Management's Responsibility for the Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements and their consistency with all other information contained in this annual report rests with the management of the Financial Consumer Agency of Canada (FCAC).

These financial statements, which include amounts based on management's best estimates as determined through experience and judgment, have been prepared in accordance with Canadian generally accepted accounting principles for publicly accountable Canadian reporting entities. Management has developed and maintained books of accounts, records, internal controls, management practices and information systems designed to provide reasonable assurance that the assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of corporate objectives, and transactions are in accordance with the *Financial Administration Act* and regulations as well as with FCAC policies and statutory requirements.

FCAC's Executive Committee oversees the preparation of the financial statements. The Audit Committee reviews and discusses with management and the external auditor FCAC's audited annual financial statements and all significant accounting estimates and judgments therein, and recommends to the Commissioner the approval of the audited financial statements.

The Auditor General of Canada, the independent auditor for the Government of Canada, has audited the financial statements of FCAC, and reports on her audit to the Minister of Finance.

Ursula Menke
Commissioner
Financial Consumer Agency of Canada

Lucie Tedesco
Deputy Commissioner
Financial Consumer Agency of Canada

Ottawa, Canada
May 28, 2010

Auditor's Report

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Financial Consumer Agency of Canada (Agency) as at March 31, 2010 and the statements of operations, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Margaret Haire, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
May 28, 2010

Financial Consumer Agency of Canada

Balance Sheet

As at March 31

	Note	2010	2009
ASSETS			
Current			
Cash Entitlement		$ 2,254,865	$ 2,389,259
Assessments Receivable, net	5	7,000	106,263
Other Receivables	5	35,831	23,039
Other Assets		38,150	31,115
Capital Assets	9	234,360	235,636
Intangible Assets	10	13,158	19,243
TOTAL ASSETS		**$ 2,583,364**	**$ 2,804,555**
LIABILITIES			
Current			
Accounts Payable and Accrued Liabilities	8	$ 1,807,494	$ 1,284,391
Unearned Assessments	8	313,652	1,138,705
Employee Future Benefits	11	462,218	381,459
Total Liabilities		**2,583,364**	**2,804,555**
Equity of Canada		—	—
TOTAL LIABILITIES AND EQUITY OF CANADA		**$ 2,583,364**	**$ 2,804,555**
Contractual Obligations	**12**		

Approved by:

Ursula Menke
Commissioner
Financial Consumer Agency of Canada

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

Statement of Operations, Comprehensive Income and Retained Earnings

For the year ended March 31

	Note	2010	2009
REVENUE			
Assessments		$ 8,983,943	$ 7,626,298
Other Revenue		716	20
TOTAL REVENUE		**8,984,659**	**7,626,318**
EXPENSES			
Salaries and Benefits		5,709,943	5,209,872
Professional Services		3,416,454	2,563,973
Accommodation		585,261	726,552
Administrative and Other		562,952	433,133
Information Management/Technology		403,257	383,766
Travel		188,686	192,289
Interest	6	15,593	62,199
TOTAL EXPENSES		**10,882,146**	**9,571,784**
Operating Results before Government Funding and Administrative Monetary Penalties		**(1,897,487)**	**(1,945,466)**
Government Funding	13	1,897,487	1,945,466
Operating Results before Administrative Monetary Penalties		—	—
Administrative Monetary Penalties	15	450,000	50,000
Administrative Monetary Penalties Earned on Behalf of the Government	15	(450,000)	(50,000)
Net Operating Results and Comprehensive Income		—	—
RETAINED EARNINGS, BEGINNING OF YEAR		—	—
RETAINED EARNINGS, END OF YEAR		$ —	$ —

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

Statement of Cash Flows

For the year ended March 31

	Note	2010	2009
OPERATING ACTIVITIES			
Cash Receipts from Financial Institutions and Other Government Departments		$ 10,975,046	$ 11,155,893
Cash Paid to Suppliers and Employees		(10,541,214)	(9,492,626)
Interest Paid	6	(15,593)	(62,199)
Non-Respendable Administrative Monetary Penalties Remitted to the Consolidated Revenue Fund	15	(450,000)	(50,000)
Cash (Used for) Provided by Operating Activities		**(31,761)**	**1,551,068**
INVESTING ACTIVITIES			
Acquisition of Capital Assets	9	(102,633)	(64,926)
Acquisition of Intangible Assets	10	—	(20,244)
Cash Used for Investing Activities		**(102,633)**	**(85,170)**
FINANCING ACTIVITIES			
New Borrowings	8	4,000,000	4,000,000
Repayments		(4,000,000)	(4,000,000)
Cash Provided by Financing Activities		—	—
NET (DECREASE) INCREASE IN CASH ENTITLEMENT		**(134,394)**	**1,465,898**
CASH ENTITLEMENT, BEGINNING OF YEAR		**2,389,259**	**923,361**
CASH ENTITLEMENT, END OF YEAR		**$ 2,254,865**	**$ 2,389,259**

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

Notes to the Financial Statements

For the year ended March 31, 2010

1. Authority and objectives

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). FCAC is responsible for strengthening the oversight of consumer protection measures in the federally regulated financial sector and for expanding consumer education activities. The Agency is a department of the Government of Canada and is listed in Schedule I.1 of the *Financial Administration Act*.

FCAC's mandate is specifically set out in the *Financial Consumer Agency of Canada Act*. It must:

a) **supervise** financial institutions to determine whether they are in compliance with the consumer provisions applicable to them;

b) **promote** the adoption by financial institutions of policies and procedures to implement consumer provisions applicable to them;

c) **monitor** the implementation of financial institutions' publicly available voluntary codes of conduct that are designed to protect the interests of their customers, and monitor any public commitments made by financial institutions to protect the interests of their customers;

d) **promote** consumer awareness about the obligations of financial institutions under consumer provisions applicable to them; and

e) **foster** an understanding of financial services and issues relating to financial services, in cooperation with any department, agency or Crown corporation of the Government of Canada, or of a province, financial institution, or consumer or other organization.

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. Pursuant to section 13(2) of the Act, FCAC's operations are typically funded entirely through this process. FCAC is, however, entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act.

FCAC's assessment revenues are charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations*, which outline the methodology used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada as authorized under section 13(1) of the Act.

2. Accounting changes

a) Adoption of new accounting standards

Goodwill, Intangible Assets and Financial Statement Concepts

Effective April 1, 2009, FCAC adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, *Goodwill and Intangible Assets*, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. CICA Handbook Section 3064, *Goodwill and Intangible Assets*, replaces CICA Handbook Section 3062, *Goodwill and Other Intangible Assets*, and CICA Handbook Section 3450, *Research and Development Costs*. CICA Handbook Section 1000, *Financial Statement Concepts*, was also amended to provide consistency with the new *Goodwill and Intangible Assets* standard.

The adoption of these standards did not have a material impact on the cash flows or operations of FCAC since all intangible assets recognized prior to the adoption of the standard met the definition of an asset. The adoption of these standards required certain software costs totalling $13,158 as at March 31, 2010 (2009: $19,243) to be re-classified and separately presented on the Balance Sheet, and disclosed as intangible assets (Note 10).

Financial Instruments — Disclosures

In March 2009, the AcSB amended CICA Handbook Section 3862, *Financial Instruments — Disclosures*, to enhance the disclosure requirements regarding fair value measurements, including the relative reliability of the inputs used in those measurements and the liquidity risk of financial instruments. The amendments are effective for FCAC's financial statements for the year ended March 31, 2010; however the adoption of this standard did not have an impact on the financial position, cash flows, or operations of FCAC, as CICA Handbook Section 3862 relates to disclosures only. Note 8 includes additional information about FCAC's policy for the settlement of its payables.

Financial Instruments — Recognition and Measurement

Effective April 1, 2009, FCAC adopted a number of amendments to CICA Handbook Section 3855 *Financial Instruments — Recognition and Measurement*. The amendments relate to revised definitions of certain financial assets, methods of assessing impairments for certain financial assets, reclassifications of financial assets, assessments of embedded derivatives on reclassification of a financial asset out of the held for trading category, and subsequent accounting of impaired financial assets. The amendments did not have an impact on the financial position, cash flows, or operations of FCAC since FCAC does not have any financial instruments affected by the new standard.

2. Accounting changes (continued)

b) Future accounting changes

International Financial Reporting Standards (IFRS)

On February 13, 2008, the AcSB confirmed that the use of International Financial Reporting Standards (IFRS) will be required in 2011 for all publicly accountable Canadian reporting entities. IFRS will replace Canada's current generally accepted accounting principles for these entities that are responsible to large or diverse groups of stakeholders. FCAC will adopt IFRS commencing on April 1, 2011, with comparatives for the year commencing April 1, 2010. In 2008–2009 FCAC completed its initial assessment of the impact on its financial statements of adopting IFRS, and in 2009–2010 completed the "Solutions Development" phase of the project, which included a detailed study of all applicable standards identified in the initial assessment, the identification of all options available to FCAC, and recommendations for changes to policies, procedures, systems and business processes. The most significant policy change will result in the realization into income, on an annual basis, of all actuarial gains and losses that arise from changes in interest rate and/or actuarial assumptions. FCAC will be assessing and testing these solutions during fiscal year 2010–2011.

3. Summary of significant accounting policies

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for publicly accountable Canadian reporting entities.

b) Cash entitlement

FCAC does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

c) Financial instruments

The classification of financial instruments is determined by FCAC at initial recognition and depends on the purpose for which the financial assets were acquired or liabilities were incurred. All financial instruments are recognized initially at fair value. The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

3. Summary of significant accounting policies (continued)

c) Financial instruments (continued)

Classification	Accounting treatment
Held for Trading (HFT)	Cash Entitlement is classified as "Held for Trading". Cash Entitlement is measured at fair value. Gains and losses arising from changes in the fair value are recorded in Operating Results before Government Funding and Administrative Monetary Penalties in the period in which they arise.
Loans and Receivables	Assessments Receivable, Accrued Assessments and Other Receivables are classified as "Loans and Receivables". Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not debt securities. Subsequent to initial recognition, Loans and Receivables are measured at amortized cost using the effective interest method. Any gain, loss or interest income is recorded in revenues or expenses depending on the nature of the loan and receivable that gave rise to the gain, loss or income.
Other Financial Liabilities	Accounts Payable and Accrued Liabilities, and Unearned Assessments are classified as "Other Financial Liabilities". Other Financial Liabilities are non-derivative financial liabilities that have not been designated at fair value. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method. Any gain, loss or interest expense is recorded in revenues or expenses depending on the nature of the financial liability that gave rise to the gain, loss or expense.

FCAC assesses at each Balance Sheet date whether there is objective evidence that a financial asset is impaired. For the classification of Loans and Receivables, any write down or impairment is recognized in the period incurred and collected in the following year through assessments.

3. Summary of significant accounting policies (continued)

d) Capital assets

All capital assets are initially recorded at acquisition cost. Amortization of capital assets is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

Assets	Useful Life
Furniture and Fixtures	7 years
Leasehold Improvements	lesser of useful life or remaining term of the lease
Informatics Software	5 years
Office Equipment	4 years
Informatics Hardware	3 years

e) Intangible assets

Intangible assets consist of externally purchased software that is not an integral part of the related hardware. Intangible assets acquired independently are measured on initial recognition at historical cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. An asset is considered impaired when its carrying value exceeds its recoverable value or it is no longer in use. The amortization expense on intangible assets is recognized in the Statement of Operations, Comprehensive Income and Retained Earnings in the expense category consistent with the function of the intangible asset.

Amortization is calculated using the straight-line method over the assets' estimated useful lives of five years. FCAC reassesses annually the estimated useful life and amortization method of this asset category.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset at the time of disposal, and are recognized in the Statement of Operations, Comprehensive Income and Retained Earnings, when the asset is disposed of or otherwise written off.

f) Leases

FCAC's borrowing authority does not allow it to enter into lease agreements that are classified as capital leases. FCAC has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to FCAC of substantially all the benefits and risks incidental to ownership.

FCAC records the costs associated with operating leases in the Statement of Operations, Comprehensive Income and Retained Earnings, in the period in which they are incurred.

3. Summary of significant accounting policies (continued)

g) Employee future benefits

i) Pension benefits

FCAC's eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, multiplied by the average of the best five consecutive years of earnings. The benefits are integrated with the Canada/Quebec Pension Plan benefits and they are indexed to inflation. Supplementary retirement benefits may also be provided in accordance with the *Special Retirement Arrangements Act*.

Both the employees and FCAC contribute to the cost of the Plan. FCAC's responsibility with regard to the Plan is limited to its contributions, which are recorded in the Statement of Operations, Comprehensive Income and Retained Earnings. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor. Current legislation does not require FCAC to make contributions for any actuarial deficiencies of the Plan.

ii) Severance benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits. These benefits represent the only obligation of FCAC that entails settlement by future payment.

The cost of severance benefits is actuarially determined as at March 31 of each year using the projected benefit method prorated on services. The valuation of the liability is based upon a current market discount rate and other actuarial assumptions, which represent management's best long term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the accrued benefit obligation is amortized over the average remaining service period of active employees.

iii) Other future benefits

The federal government sponsors a variety of other future benefit plans from which employees and former employees may benefit during employment or upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to FCAC employees and retirees. FCAC's responsibility with regard to these two plans is limited to its contributions, which are recorded in the Statement of Operations, Comprehensive Income and Retained Earnings.

h) Revenue recognition

The Agency is dependent on its revenue from the assessment of financial institutions to fund most of its costs of operations, including those related to employee future benefits. FCAC establishes its revenue so as to recover its expenses. Any assessments that have been billed and for which costs have not been incurred are classified as Unearned Assessments on the balance sheet.

Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an adjustment for any differences between the previous year's assessed costs and actual. The assessment process is undertaken before December 31 in each year, in accordance with section 18(1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

3. Summary of significant accounting policies (continued)

h) Revenue recognition (continued)

Administrative monetary penalties may be issued by the Commissioner of the FCAC through Notices of Violations. These penalties are imposed in cases where the Commissioner believes that there has been either a violation of the consumer provisions or non-compliance with any Compliance Agreement entered into pursuant to an act listed in Schedule 1 of the *Financial Consumer Agency of Canada Act*. The penalty amount may be as high as $50,000 for an individual and $200,000 for an institution. Penalties levied by FCAC are non-respendable and are to be remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and are not included in the balance of the Cash Entitlement. As a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

4. Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these financial statements, management believes the estimates and assumptions to be reasonable. Liabilities related to human resources, employee future benefits, and the useful lives of capital assets are the most significant items for which estimates are used. Actual results could differ significantly from those estimates.

5. Accounts receivable

As at March 31, the aging of non-related party accounts receivable was as follows (for terms and conditions relating to related party receivables, refer to Note 6):

Days Outstanding	Current	31–60	61–90	91–120	>120	Total
2010	$ —	$ —	$ —	$ 7,875	$ 8,180	$ 16,055
2009	$ —	$ —	$ —	$ 88,516	$ 26,748	$ 115,264

FCAC records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. Provisions are also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off.

An account receivable will be considered to be impaired and will be written off when FCAC is certain that collection will not occur and all requirements of the *Debt Write-Off Regulations 1994* have been met. During the year, no interest was earned on impaired assets and none of the past due amounts have been renegotiated. Those that are neither past due nor impaired are considered to be fully collectible.

5. Accounts receivable (continued)

At March 31, 2010, accounts receivable at initial value of $9,055 (2009: $9,001) were impaired and fully provided for. The following table provides a reconciliation of the movement in this allowance during the year:

	2010	2009
Allowance for Doubtful Accounts, beginning of year	**$ 9,001**	**$ 9,000**
Additions	3,055	1
Amounts written off	(1)	—
Unused amounts reversed	(3,000)	—
Allowance for Doubtful Accounts, end of year	**$ 9,055**	**$ 9,001**

The concentrations of accounts receivable as at March 31, 2010 are as follows:

	Assessments Receivable	Other Receivables	Total	% of Total Exposure
Federally Regulated Financial Institutions	$ 16,055	$ —	$ 16,055	31%
Other	—	35,831	35,831	69%
	$ 16,055	$ 35,831	$ 51,886	100%

All assessments receivable and accrued assessments are recoverable from federally regulated financial institutions. FCAC regulates over 375 financial institutions and does not have a significant receivable from any individual financial institution.

There are no Accrued Assessments that have not been billed at March 31, 2010.

6. Related party transactions

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and Crown corporations. The Agency has entered into service agreements with several departments and one Crown corporation for the supply of key services to the Agency and its staff in carrying out its mandate. FCAC currently works with the following partners:

- Public Works and Government Services Canada (PWGSC)
- Canada Deposit Insurance Corporation (CDIC)
- the Office of the Superintendent of Financial Institutions (OSFI)

FCAC also enters into transactions with other government entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises. The table on the following page summarizes the impact of the Agency's significant related-party transactions for the year on total expenses and the amounts due to (from) those related parties at the end of the year. The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The 2009 comparative balances in the table have been restated to include $161,621 of revenue and $164,000 of expenses related to employee secondments, as well as $3,760 for legal services that were not included in the prior year's table.

6. Related party transactions (continued)

Related Party and Nature of Service Provided	2010 Expense/ (Revenue)	2010 Payable/ (Receivable)	2009 Expense/ (Revenue)	2009 Payable/ (Receivable)
PWGSC				
Accommodation	$ 453,734	$ 223,584	$ 455,371	$ —
Management/Information Technology	70,370	3,629	52,450	9,807
Translation Services	173,115	765	155,176	374
Employee Secondment	(38,212)	(2,180)	—	—
Other Services	25,232	585	1,623	—
	684,239	226,383	664,620	10,181
Treasury Board				
Employee Benefits	1,132,801	116,025	973,392	58,928
Other	100	—	—	—
	1,132,901	116,025	973,392	58,928
CDIC – Professional Services				
Employee Secondment	10,230	—	—	—
Call Centre Administration	358,563	—	555,687	—
	368,793	—	555,687	—
OSFI – Professional Services				
Financial Services	181,490	6,465	133,724	3,500
Human Resources Services	232,418	—	114,864	—
Internal Audit Services	39,731	—	99,120	99,120
Research Services	31,500	—	30,000	—
	485,139	6,465	377,708	102,620
Canada School of Public Service				
Training	24,475	—	—	—
Parks Canada				
Community of Federal Agencies Cost sharing agreement	1,000	—	—	—
Public Safety Emergency Preparedness – Canada				
Media Share	7,000	—	—	—
Statistics Canada				
Employee Secondment	—	—	65,323	—
Publications	109	—	—	159
	109	—	65,323	159
Service Canada				
Employee Secondment	(62,625)	—	(108,849)	—
Department of Justice Canada				
Employee Secondment	151,686	—	164,000	—
Legal Services	3,086	—	3,760	—
	154,772	—	167,760	—
Department of Finance Canada				
Employee Secondment	(19,963)	—	—	—
Interest on Loan from the Consolidated Revenue Fund	15,593	—	62,199	—
	(4,370)	—	62,199	—
Environment Canada				
Employee Secondment	—	—	(12,281)	(12,281)
Fisheries and Oceans Canada				
Employee Secondment	(17,012)	—	76,091	17,012
Industry Canada				
Employee Secondment	(124,669)	(6,277)	(40,491)	—
Royal Canadian Mounted Police				
Other Services	—	—	1,500	500
Total	**$ 2,649,752**	**$ 342,596**	**$ 2,782,659**	**$ 177,119**

During the year, FCAC received audit services without charge from the Office of the Auditor General. This non-monetary transaction has been recorded as both an expense and government assistance revenue in the amount of $55,000.

7. Fair Value

Due to their short-term nature, the carrying values of FCAC's financial instruments are presumed to approximate their fair values.

8. Financial risk management

FCAC's financial liabilities include Accounts Payable and Accrued Liabilities, and Unearned Assessments. The main purpose of these liabilities is to provide short-term financing for FCAC's operations. Financial assets include Assessments Receivable, Accrued Assessments and Other Receivables.

FCAC is exposed to market risk, credit risk and liquidity risk in connection with financial instruments.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. FCAC is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar, and is exposed to interest rate risk as discussed below. FCAC is not exposed to other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. FCAC's exposure to the risk of changes in foreign exchange rates relates primarily to the Agency's operating activities (when revenues or expenses are denominated in a currency other than the Canadian dollar).

FCAC manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of FCAC's transactions are denominated in Canadian dollars; consequently, FCAC's exposure to currency risk is insignificant.

There is no impact to revenue since all billings are done in Canadian dollars.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FCAC's exposure to the risk of market interest rates relates primarily to FCAC's loans payable with floating interest rate as determined by the Department of Finance Canada. As all amounts borrowed are required to be repaid by March 31 of any fiscal year, FCAC is not exposed to interest rate risk at the year-end date. FCAC attempts to reduce the borrowings necessary by effectively forecasting its required cash flows from assessments from financial institutions. FCAC is not authorized to enter into any arrangements in order to reduce its exposure to interest rate risk.

The table below demonstrates the sensitivity of FCAC's operating expenses to a one-percentage-point fluctuation in market interest rates, with all other variables held constant.

	Fluctuation in Interest Rate	Effect on Expenses
2010	+1%	$ 25,534
	-1%	(25,534)
2009	+1%	$ 22,192
	-1%	(22,192)

8. Financial risk management (continued)

b) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss for FCAC. The maximum exposure FCAC has to credit risk as at March 31, 2010 is $51,886, which is equal to the carrying value of its Assessments Receivable, Accrued Assessments and Other Receivables.

All federally regulated financial institutions are required to register with FCAC and pay the assessments as established by FCAC. Any loss incurred by FCAC as a result of a counterparty not meeting its obligations is recorded in the year incurred and collected in the following year, as outlined in the *Financial Consumer Agency of Canada Act*. All remaining receivables are with other government organizations, where there is minimal potential risk of loss. FCAC does not hold collateral as security.

c) Liquidity risk

Liquidity risk is the risk that FCAC will encounter difficulty in meeting obligations associated with financial liabilities. FCAC's objective is to maintain sufficient Cash Entitlement through collection of assessments and fees in order to meet its operating requirements. FCAC manages liquidity risk through a detailed annual planning and billing process, which is structured to allow for sufficient liquidity from one billing period to the next. FCAC's objective is to accurately estimate its operating costs for the year in order to accurately estimate the assessments and fees to collect from federally regulated financial institutions.

FCAC's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Cash Entitlement
- Borrowings from the Consolidated Revenue Fund

The table below summarizes the maturity profile of FCAC's financial liabilities at March 31, 2010 based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which FCAC can be required to pay. When amounts are due in instalments, each instalment is allocated to the earliest period in which FCAC can be required to pay.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total
Accounts Payable and Accrued Liabilities	$ 201,703	$ 1,352,060	$ 253,731	$ —	$ —	$ 1,807,494
Unearned Assessments	—	—	313,652	—	—	313,652
Total	**$ 201,703**	**$1,352,060**	**$ 567,383**	**$ —**	**$ —**	**$2,121,146**

8. Financial risk management (continued)

c) Liquidity risk (continued)

By December 31 of each year, the Commissioner must determine the total expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the *Financial Consumer Agency of Canada Act* and the consumer provisions. The Commissioner then assesses each federally regulated financial institution a portion of these expenses, as determined by regulation. Interim assessments are also possible. To temporarily fund expenses until institutions are assessed, before March 31 of each year the Agency must seek Ministerial authority to borrow from the Consolidated Revenue Fund for the next fiscal year, up to a predetermined limit. The authority to borrow from the Consolidated Revenue Fund is granted under section 13 of the *Financial Consumer Agency of Canada Act*. For the year ended March 31, 2010, the Minister has approved up to $8,000,000 (2009: $8,000,000). All amounts borrowed during any fiscal year must be repaid at the end of the fiscal year. The Agency pays interest on the funds borrowed as described under "Interest Rate Risk".

Refer to Note 1 for further information on FCAC's authority.

The liquidity of FCAC's financial assets is outlined in Note 5, "Accounts Receivable".

9. Capital assets

	Cost			Accumulated Amortization			Net Book Values	
Categories	**Opening balance**	**Additions**	**Closing balance**	**Opening balance**	**Amortization Expense**	**Closing balance**	**2010**	**2009**
Furniture and Fixtures	$ 597,682	$ 21,981	$ 619,663	$ 477,236	$ 34,994	$ 512,230	$ 107,433	$ 120,446
Leasehold Improvements	519,304	33,128	552,432	519,304	676	519,980	32,452	—
Informatics Software	28,744	—	28,744	11,537	4,049	15,586	13,158	17,207
Office Equipment	71,266	7,316	78,582	57,823	5,971	63,794	14,788	13,443
Informatics Hardware	161,486	40,208	201,694	76,946	58,219	135,165	66,529	84,540
Total	**$ 1,378,482**	**$ 102,633**	**$ 1,481,115**	**$ 1,142,846**	**$ 103,909**	**$ 1,246,755**	**$ 234,360**	**$ 235,636**

10. Intangible assets

	Cost			Accumulated Amortization			Net Book Values	
Categories	**Opening balance**	**Additions**	**Closing balance**	**Opening balance**	**Amortization Expense**	**Closing balance**	**2010**	**2009**
Informatics Software	$ 102,819	$ —	$ 102,819	$ 83,576	$ 6,085	$ 89,661	$ 13,158	$ 19,243

11. Employee future benefits

a) Pension benefits

FCAC and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The estimated employer contributions to the Public Service Pension Plan during the year were $552,939 (2009: $475,611).

As required under present legislation, the contributions made by FCAC to the Plan are 1.94 times (2009: 1.91 times) the employees' contribution on amounts of salaries of $139,500 or less (2009: $136,700 or less) and 8.9 times (2009: 7.55 times) the employees' contribution on amounts of salaries in excess of $139,500 (2009: $136,700).

b) Severance benefits

Information about FCAC's severance benefit plan is presented in the table below.

		2010		2009
Accrued Benefit Obligation, beginning of year	**$**	**425,329**	**$**	**391,556**
Current service cost		62,616		49,361
Interest cost		18,261		17,401
Benefits paid		(214)		(13,591)
Actuarial gain		(67,452)		(19,398)
Accrued Benefit Obligation, end of year[1]		**438,540**		**425,329**
Unamortized Net Actuarial Gain (Loss)		23,678		(43,870)
Accrued Benefit Liability	**$**	**462,218**	**$**	**381,459**
Net Benefit Plan Expense				
Current service cost	$	62,616	$	49,361
Interest cost		18,261		17,401
Amortization of net actuarial losses[2]		96		1,929
Net Benefit Plan Expense	**$**	**80,973**	**$**	**68,691**

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 5.5% (2009: 4.0%). This rate represents a change in estimate from the previous year in order to better reflect the effective rate at which the liability could be settled currently. For measurement purposes, management's best estimate for the general salary increases used to estimate the current service cost and the accrued benefit obligation as at March 31, 2010, is an annual economic increase of 1.5% for the plan years 2011 and 2012 (2009: 1.5% for the plan years 2010 to 2012 inclusively). Thereafter, an annual economic increase of 2.0% (2009: 2.0%) is assumed. The average remaining service period of active employees covered by the benefit plan is 14 years (2009: 14 years).

This change in estimate has no impact on the March 31, 2010, accrued benefit liability and minimal impact on the future year since the net actuarial gain (loss) is within the 10% range of the benefit obligation as outlined in Note 3(g)(ii).

1 The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's revenue from assessments outlined in Note 3(h) to the financial statements. Amounts collected in excess of benefits paid are presented on the Balance Sheet under the heading of Cash Entitlement.

2 The amortization period is the remaining average service period of active employees.

12. Contractual obligations

Contractual obligations arising from service agreements entered into with various departments and one Crown corporation for the supply of key services to the Agency, as well as future minimum lease payments for the remaining term of the Agency's lease for office space, are outlined below.

Year ending March 31	Service agreements	Operating lease	Total
2011	$ 825,231	$ 444,620	$ 1,269,851
2012	846,246	446,828	1,293,074
2013	806,990	451,325	1,258,315
2014	809,603	456,003	1,265,606
2015	834,012	230,340	1,064,352
Total	**$ 4,122,082**	**$ 2,029,116**	**$ 6,151,198**

13. Government funding

Effective 2007–2008, FCAC is entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act. The funding is to develop and share instructional materials for financial literacy education programs, particularly directed towards young adults, and to facilitate the dissemination of these materials and information through financial education providers. During the year ended March 31, 2010, FCAC received an appropriation of $1,842,487 (2009: $1,945,466).

FCAC has also recorded non monetary government assistance for audit services provided by the Office of the Auditor General in the amount of $55,000.

14. Capital management

FCAC operates on a cost recovery basis. Its objective when managing capital is to closely manage actual costs to those estimated and communicated to its paying stakeholders. FCAC is prohibited from issuing its own capital or its own debt to meet any capital requirements. Any operating shortfall or excess is factored into the assessments charged to regulated entities in the following year. FCAC fully recovered all of its costs incurred in the year.

FCAC is not subject to any externally imposed capital requirement. FCAC did not change its capital management objectives, policies or processes during the year ended March 31, 2010.

15. Administrative monetary penalties

Administrative monetary penalties levied by FCAC are non-respendable and are to be remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and are not included in the balance of the Cash Entitlement. As a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

FCAC levied $450,000 (2009: $50,000) in administrative monetary penalties during the fiscal year ended March 31, 2010.

16. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

HOW TO REACH US

We welcome your questions and feedback. FCAC offers a variety of publications, information and interactive tools for consumers.

Corporate website	fcac-acfc.gc.ca
Financial education websites	themoneybelt.gc.ca moneytools.ca
Telephone (toll-free) (Consumer Contact Centre) From the Ottawa area or from outside Canada	1-866-461-3222 613-996-5454
TTY (toll-free) (for persons with hearing impairment) From the Ottawa area or from outside Canada	1-866-914-6097 613-947-7771
Fax (toll-free) From the Ottawa area or from outside Canada	1-866-814-2224 613-941-1436
E-mail	info@fcac-acfc.gc.ca
Address	Financial Consumer Agency of Canada Enterprise Building, 427 Laurier Avenue West Ottawa, Ontario K1R 1B9

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